

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1343 - HB 1902

March 24, 2011

SUMMARY OF BILL: Eliminates the Tennessee Education Lottery Corporation (TELC), effective January 1, 2012.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue –

\$139,001,000/FY11-12/Lottery for Education Account

\$6,500,000/FY11-12/After-School Programs Special Account Reserve

\$278,002,000/FY12-13 and Subsequent Years/Lottery for Education Account

13,000,000/FY12-13 and Subsequent Years/After-School Programs Special Account Reserve

Other Fiscal Impact – Maintaining the lottery scholarship and after-school programs that are currently funded by net lottery proceeds of the Tennessee Lottery Education Corporation will require appropriations from the General Fund in future years. No such appropriation will be required in FY11-12 due to adequate reserve balances. An appropriation estimated to exceed \$77,200,000 will be required in FY12-13, as the remaining lottery reserves are utilized. Beginning in FY13-14, and for all subsequent years thereafter, an appropriation exceeding \$300,000,000 will be required to sustain the programs currently funded by net lottery proceeds.

Assumptions:

- The current Fiscal Review Committee estimates for net lottery proceeds and after-school program funding for FY11-12 are \$278,002,000 and \$13,000,000 respectively (total state proceeds of \$291,002,000). These numbers are assumed to remain constant in subsequent years under current law.
- Given the January 1, 2012, effective date, elimination of the TELC will cause a decrease in state revenue transferred to the Lottery for Education Account (LFEA) of approximately \$139,001,000 ($\$278,002,000 \times 50.0\%$) in FY11-12, and a decrease in state revenue transferred to the After-School Programs Special Account Reserve of approximately \$6,500,000 ($\$13,000,000 \times 50.0\%$) in FY11-12.
- The recurring decrease in state revenue to the LFEA will be \$278,002,000 beginning in FY12-13.

- The recurring decrease in state revenue to the After-School Programs Special Account Reserve will be \$13,000,000 beginning in FY12-13.
- This bill does not eliminate the programs that are currently funded by net lottery proceeds. As a result, funding from the General Fund will be required in the future to sustain these programs.
- Tenn. Code Ann. § 49-4-940(a) authorizes the State Funding Board to adopt an investment policy and a funds allocation policy for the LFEA in order to maximize recurring revenues available for appropriation.
- All lottery reserves within the LFEA are invested for the purpose of maximizing recurring revenue available for appropriation to fund current programs.
- Tenn. Code Ann. § 49-4-940(b) indicates that the Tennessee Student Assistance Corporation shall not draw funds from the LFEA that are invested pursuant to Tenn. Code Ann. § 49-4-940(a) unless no other lottery revenues are available to make payments of scholarships and grants.
- As of June 30, 2010, the balance of the LFEA was approximately \$322,800,000, and the balance of the General Shortfall Reserve Account was \$50,000,000 (total reserves of \$372,800,000).
- Net lottery proceeds equal program expenditures for FY10-11 and for the first half of FY11-12. As a result, total lottery reserves will remain approximately \$372,800,000 as of January 1, 2012, the effective date of this bill.
- TSAC will be required to draw an estimated \$150,000,000 from lottery reserves for awarding scholarships and grants for the remainder of FY11-12, leaving approximate reserve balances of \$222,800,000 (\$372,800,000 - \$150,000,000) as of June 30, 2012.
- Program expenditures for FY12-13 and subsequent years are estimated to exceed \$300,000,000. The remainder of lottery reserves will be utilized in FY12-13; thus requiring an appropriation from the General Fund exceeding \$77,200,000 (\$300,000,000 - \$222,800,000) to fully fund all scholarships and grants for FY12-13.
- In FY13-14 and subsequent years, an annual appropriation from the General Fund exceeding \$300,000,000 will be required to sustain the programs currently funded by net lottery proceeds.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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